

## The complaint

Mrs G complains about the way in which U K Insurance Limited (UKIL) dealt with a claim on her motor insurance. References to UKIL include other organisations and individuals acting on its behalf.

## What happened

Mrs G had motor insurance underwritten by UKIL. Her car was involved in an accident, and she made a claim. UKIL decided that the car couldn't be economically repaired and declared it a total loss. UKIL settled the claim based on what it had calculated the market value of the car to be, with deductions including for what it said was pre-existing damage.

Mrs G wasn't happy with UKIL's decision to write off her vehicle, and she thought the estimated costs for repairs were too high and the market value used by UKIL was too low. She complained to UKIL. UKIL said:

*"I'm sorry to hear that you are unhappy with the valuation placed on the vehicle, the decision to write off your vehicle and that your personal belongings have yet to be returned..."*

*I have sent a separate email with attached images of the nearside front door, nearside wing mirror, nearside rear wing and rear bumper of your vehicle, all showing pre-existing damage which is why they have been factored into the deductions made from the value of your vehicle.*

*The optional extras you mentioned were not considered due to the age of your vehicle, I have checked this with the engineer, and they have confirmed that due to the car being over 8 years old those extras would not add value to the car, so they were not considered.*

*The garage we received your estimate from was one affiliated with [UKIL] and so the rates were favourable to us. The decision to use the estimate received from our affiliated garage is one we make with all claims and is a business decision I am unable to change."*

UKIL invited Mrs G to send details of the missing belongings and I understand this is now resolved. However Mrs G wasn't happy with the other parts of UKIL's response and complained to this service.

Our investigator didn't uphold her complaint. He said he was satisfied that the valuation was fair and reasonable and that there was pre-existing damage unrelated to the accident for which UKIL had deducted a fair amount. He said as the cost of repairs came to more than the value of the vehicle he didn't think it was unfair or unreasonable for UKIL to write off the vehicle rather than repair it. With regard to the excess on the policy being taken off, he said UKIL confirmed that liability on the claim has been disputed by the other driver so he didn't think it unreasonable for UKIL to hold onto the excess until this was resolved.

Mrs G didn't agree with what the investigator said and so her complaint has been passed to me. Mrs G wants UKIL to pay what she believes to be the correct value of her claim.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I don't uphold Mrs G's complaint. I'll explain why.

Mrs G's insurance policy documents with UKIL said:

*"How much will you pay if my car is damaged?"*

*Where damage to your car is covered under your policy, we'll pay the cost of repairing or replacing your car up to its UK market value.*

*This is the current value of your car at the time of the claim. It may be different to the amount you paid or any amount you provided when you insured your car with us."*

Market value is defined as:

*"The cost of replacing your car with another of the same make and model, and of a similar age and condition at the time of the accident or loss."*

In cases like this, this service relies on motor valuation guides to calculate the market value of a vehicle. These guides are based on extensive nationwide research using, for example, advertised selling prices, auction prices and actual selling prices. The approach taken by this service is that, in the absence of good evidence to the contrary, the valuation guides are very likely to be accurate. Unless there is good evidence to suggest otherwise, this service is likely to conclude that the highest value from the guides should be used to settle the claim.

UKIL has provided this service with details of the valuations it obtained for Mrs G's car from the valuation guides of £3,775, £4,450 and £4,704. As the lowest valuation was quite a bit different from the other two, UKIL ignored it and used the other two valuations, giving an average of £4,577. UKIL then deducted £363 for pre-accident damage, so the final total amount UKIL paid to Mrs G was £4,214 less the £100 excess.

Our investigator looked at the valuation guides and obtained valuations of £3,775, £4,450, £4,018, and £4,488. As UKIL's valuation is higher than any of these, I'm satisfied that it was fair and reasonable. I've not seen any evidence to suggest that the extras Mrs G said her car had would have increased the value. Mrs G also provided adverts for similar vehicles for sale. However, I don't think they are directly comparable with hers – the mileage was different on one, and the specifications different on another – so overall I think the guides are more likely to be accurate.

UKIL has provided evidence of the pre-existing damage which is in different places to the damage caused to Mrs G's car in the accident. I'm satisfied that this damage wasn't caused by the accident, so it was reasonable for UKIL to take it into account when settling the claim.

This service's general approach when estimating the cost of repairing pre-incident damage is to divide that cost by two and deduct it from the settlement. UKIL have provided an estimate for the repairs to the pre-existing damage of £1,298.75. Half of this would be £649.38. However, UKIL have only deducted £363. So, I think this was fair and reasonable.

I've seen the engineer's report which estimated the cost of repairing the accident damage at £5,632.78. I've not seen any other expert evidence to contradict this. As this more than the value of the car I think it was fair and reasonable for UKIL to declare the car a total loss.

In response to what our investigator said, Mrs G said:

*“As mentioned in my previous communication I am not happy with the insurance company's decision to write off. I could not agree with the amount the insurance company came up with for the repair costs of my...car which was involved in the accident. From the start, I believe the estimations were bumped up than required. I have raised my concerns with the insurance company and asked them to get a 2<sup>nd</sup> independent estimate. As you understood that this request has not been honoured by the insurance company and you have mentioned that the insurance company does not have to honour this request.*

*To add further suspicion, recently I have seen that my...car is on the road and now used by someone else. The car would have been passed MOT and roadworthy now as you can see from the attached screenshot. I would like to understand if I can request the below information either from Insurance or from the garage through you.*

- 1. How much the Garage/Insurance company spent to repair the car to make it Roadworthy*
- 2. Can you identify the sale price of this car after the repair has been done*
- 3. What is the Insurance category for this car when it is sold (after the repairs done). Has it been modified from Category S?*

*My grievance is, Garage might have inflated the repair cost estimates and informed the insurance company and myself that it is not economically viable to repair. So, can you please investigate and come back with your findings.”*

I've seen no evidence to support Mrs G's assertion that the estimated repair costs were inflated. I can't see that there would have been any advantage to either the repairer or UKIL in doing this. There is no requirement under the policy terms and conditions for UKIL to obtain a second estimate, and it's not something this service would expect. It's not uncommon for cars that have been declared a total loss to be bought, for example at auction, and repaired and put back on the road.

I don't know, and I can't expect UKIL to know, how much was spent on the car to make it roadworthy after it was sold, or its sale price, or the category. This isn't something this service would become involved with.

So taking all of the above into account and in all the circumstances of this case, I think UKIL acted fairly and reasonably and in accordance with the policy terms and conditions in the way it settled Mrs G's claim.

### **My final decision**

For the reasons given above, I don't uphold Mrs G's complaint. So I won't be asking U K Insurance Limited to do anything.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 27 January 2025.

Sarah Baalham  
**Ombudsman**